

EXHIBIT 1

**Lakeside for Children and Lakeside for Children Foundation
Notes to Combined Financial Statements
For the Years Ended June 30, 2018 and 2017**

NOTE A – Summary of Significant Accounting Policies

Nature of Activities

Lakeside for Children (the Center) is non-profit corporation organized to provide and maintain a facility for the residence, support and general welfare of emotionally impaired youth in Kalamazoo, Michigan. A substantial portion of the Center's revenue is derived from program service fees, which are based on rates of reimbursement determined prospectively by the State of Michigan – Department of Health and Human Services, not subject to retroactive adjustments. Operations are also supported by unrestricted contributions and investment income earned thereon.

Lakeside for Children Foundation (the Foundation) is a non-profit corporation organized to solicit and manage funds for the operations of the Center. Funds held in the Foundation are for the sole purpose of supporting the mission and programs of the Center.

Principals of Combination

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of Lakeside for Children and Lakeside for Children Foundation. All intercompany balances, transactions and transfers have been eliminated upon combination.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and Foundation and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met, either by the actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets have donor-imposed restrictions that do not expire. The donors of these assets permit the Center or Foundation to establish a spending plan in regard to investment return of such assets.

Contractual Relationship

The Center has a contractual relationship with Sequel, a for-profit entity. Sequel is responsible for running the programs and providing the staffing needs for the programs. The Center is paid by the child-placing agencies and then pays Sequel for the services provided. The Center pays approximately 96% of the total expenditures to this entity for services provided.